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SUBJECT: SCENESETTER FOR VISIT OF CODEL KERRY TO AFGHANISTAN

¶1. (SBU) Embassy Kabul warmly welcomes the visit of Senator Kerry and his delegation. The overall state of Afghanistan is more nuanced than the negative drumbeat coming from the media. Steady advances in security do not grab the headlines that a spectacular suicide attack does. Progress in development continues below the international media's radar screen. Continued poor performance on governance, however, will put these real achievements at risk.

Governance a fundamental challenge

¶2. (SBU) President Karzai's administration is still seeking the optimum balance between new institutions and traditional or tribal governance. Karzai's cabinet represents a cross-section of Afghanistan, but ministers and their organizations vary in effectiveness. After years of war, Afghanistan does not have an educated middle class, and its technocrats are few. Strong leadership has produced significant results in education, health, rural development, and fiscal policy, but other key ministries suffer from poor leadership, limited capacity, and corruption. A positive new development in the past year is the creation of the Independent Directorate for Local Governance (IDLG.) IDLG Director Popal has earned and maintains Karzai's backing to improve provincial and municipal governance and the delivery of basic services. Popal has launched the Afghan Social Outreach Program (with US funding) to form local councils to strengthen ties between local government institutions and the tribes. Gen. McKiernan will brief you on another program to use separate but similar local councils to improve security.

Election season underway

¶3. (SBU) Next year's presidential and provincial council elections will be the defining event for 2009. Electoral strategies already dominate nearly everything political here. Karzai's popularity has declined dramatically in polls, but the opposition has yet to organize itself. Public concern over personal insecurity and disgust over corruption are key election issues. President Karzai recently shuffled his cabinet and put the talented Hanif Atmar in as Interior Minister to address these problems and perceptions, but after seven years Afghans will be hard to convince. You will meet with Atmar.

Security advances and set-backs

¶4. (SBU) Our greatest success on the security side is the

advances in the numbers and capabilities of the Afghan army. Working together, Coalition and Afghan security forces have increased the government's area of control in the past year. The Taliban's response has been to shift from insurgency to terrorism, to challenge the partnership between the international community and ordinary Afghans. Many Afghans do feel less safe, with random violence such as kidnappings on the rise, and travel around the country more insecure. Interior Minister Atmar is looking to accelerate police training and reform. The Focused District Development (FDD) program to retrain and equip the police is going well and will soon expand to include the Border Police. CSTC-A's MGen. Cone, whom you will meet, supervises this and other police and army training programs.

Positive trends on poppy, but a big challenge in the south

¶5. (SBU) Afghanistan reduced poppy cultivation by 19 per cent from 2007, breaking the record growth trend of the past two years. Just as notable was the increase in poppy-free provinces from 13 to 18. At least for now, poppy cultivation has died away in the northern and eastern parts of the country, including in historically-important poppy-cultivating provinces like Badakhshan, Balkh, and Nangarhar. The narcotics challenge has continued to grow in the south, where seven provinces now account for 98 per cent of the country's production. In the south especially, narcotics traffickers and the Taliban have developed a relationship of mutual support. This year we see some promise in Helmand province, the "breadbasket" of opium

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production. Helmand Governor Mangal has shown impressive leadership and commitment to take on the opium industry. In partnership with the UK, we are backing Mangal's initiative to eliminate narcotics cultivation in an 100-square mile area, through an intensive information campaign, agricultural assistance, and police eradication protected by the Afghan army.

Leveraging development for economic growth

¶6. (SBU) The Afghan economy is expected to grow by 7 to 8 per cent this year, following several years of double-digit growth. Inflation, mostly imported, accelerated sharply this year, and progress in revenue generation stalled, further postponing the goal of independence from massive donor financing. Sustaining high growth rates will require greater political support for economic reforms needed to improve the business climate -- more political support than the current government has demonstrated. US economic assistance priorities are agriculture, energy, roads, and private sector development. Afghanistan remains one of the poorest countries in the world, and a bad wheat harvest, caused by drought, forced the government to make two appeals for food aid this year. The US has responded through a sharp increase in our World Food Program (WFP) assistance, and other aid to increase production of food crops.

Regional dynamics important

¶7. (SBU) Afghanistan's effort to build a secure and stable state is complicated by its relationships with its neighbors. Bilateral ties between Pakistan and Afghanistan have improved dramatically since the Zardari government came to power, and the two governments convened a symbolic "mini-jirga" meeting in October. Distrust of the Pakistani Army and intelligence services and frustration with the substantial freedom terrorists enjoy across the border, however, remain high. Along the border in the west, many

Afghans look toward Iran for news, entertainment, jobs, education, and medical care. Afghans worry that tensions over Iran's nuclear ambitions could erupt into a war that would embroil them.

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